

**§ 1314.4**

**§ 1314.4 Law governing the rights and obligations of TVA and Reserve Banks; law governing the rights of any Person against TVA and Reserve Banks; law governing other interests.**

(a) Except as provided in paragraph (b) of this section, the following rights and obligations are governed solely by the book-entry regulations contained in this part 1314, the Securities Documentation (but not including any choice of law provisions in such documentation), and Reserve Bank Operating Circulars:

(1) The rights and obligations of TVA and Reserve Banks with respect to:

(i) A Book-entry TVA Power Security or Security Entitlement; and

(ii) The operation of the Book-entry System as it applies to TVA Power Securities; and

(2) The rights of any Person, including a Participant, against TVA and Reserve Banks with respect to:

(i) A Book-entry TVA Power Security or Security Entitlement; and

(ii) The operation of the Book-entry System as it applies to TVA Power Securities.

(b) A security interest in a Security Entitlement that is in favor of a Reserve Bank from a Participant and that is not recorded on the books of a Reserve Bank pursuant to §1314.5(c) is governed by the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Reserve Bank maintaining the Participant's Security Account is located. A security interest in a Security Entitlement that is in favor of a Reserve Bank from a Person that is not a Participant, and that is not recorded on the books of a Reserve Bank pursuant to §1314.5(c), is governed by the law determined in the manner specified in paragraph (d) of this section.

(c) If the jurisdiction specified in the first sentence of paragraph (b) of this section is a State that has not adopted Revised Article 8, then the law specified in paragraph (b) of this section shall be the law of that State as though Revised Article 8 had been adopted by that State.

(d) To the extent not otherwise inconsistent with this part 1314, and notwithstanding any provision in the Se-

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curities Documentation setting forth a choice of law, the provisions set forth in 31 CFR 357.11 regarding law governing other interests apply and should be read as though modified to effectuate the application of 31 CFR 357.11 to Book-entry TVA Power Securities.

[62 FR 920, Jan. 7, 1997; 62 FR 8619, Feb. 26, 1997, as amended at 62 FR 29288, May 30, 1997]

**§ 1314.5 Creation of Participant's Security Entitlement; security interests.**

(a) A Participant's Security Entitlement is created when a Reserve Bank indicates by book-entry that a Book-entry TVA Power Security has been credited to a Participant's Security Account.

(b) A security interest in a Security Entitlement of a Participant in favor of the United States to secure deposits of public money, including without limitation deposits to the Treasury tax and loan accounts, or other security interest in favor of the United States that is required by Federal statute, regulation or agreement, and that is marked on the books of a Reserve Bank, is thereby effected and perfected, and has priority over any other interest in the securities. Where a security interest in favor of the United States in a Security Entitlement of a Participant is marked on the books of a Reserve Bank, such Reserve Bank may rely, and is protected in relying, exclusively on the order of an authorized representative of the United States directing the transfer of the security. For purposes of this paragraph, an "authorized representative of the United States" is the official designated in the applicable regulations or agreement to which a Reserve Bank is a party governing the security interest.

(c) TVA and Reserve Banks have no obligation to agree to act on behalf of any Person or to recognize the interest of any transferee of a security interest or other limited interest in favor of any Person except to the extent of any specific requirement of Federal law or regulation or to the extent set forth in any specific agreement with the Reserve Bank on whose books the interest of the Participant is recorded. To the extent required by such law or regulation or set forth in an agreement with